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FISCAL IMPACT REPORT

SPONSOR: Taylor, TC DATE TYPED: 2/22/03 HB 562
 SHORT TITLE: Municipality Compensating Tax Distribution SB _____
 ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$12,700.0)	(\$12,700.0)	Recurring	General Fund
	\$12,700.0	\$12,700.0	Recurring	Municipalities

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 562 amends statute to allow for a new distribution to municipalities funded by compensating tax collections, which are taxes levied to protect New Mexico business people from unfair competition that would otherwise result from the importation of property into the state without payment of the gross receipts tax.. The distribution amount is the greater of \$1,500 per month (\$18,000 per year) or an amount calculated by multiplying the municipality's relative share of taxable gross receipts times 24.5% of net compensating tax collections.

Significant Issues

Currently, 20% of net compensating tax collections go to small cities and small counties assistance funds.

FISCAL IMPLICATIONS

According to TRD analysis, the new distribution will expend slightly more than 26% of annual net compensating tax collections. Fiscal year 2004 net compensating tax collections are expected to be \$47.5 million.

An estimate of fiscal year 2004 distribution amounts is included at the end of this review. An estimated 61 municipalities will be paid the \$18,000 annual floor amount, and the remainder a calculated share amount (attached below is municipal distributions under HB 562).

ADMINISTRATIVE IMPLICATIONS

TRD notes the provisions in this bill would place a significant administrative burden on the department. Computer system changes are necessary to make the appropriate local revenue distributions. Reprogramming the system is possible. *However, the department is in the process of converting to a new computer system for processing gross receipts tax. The changes required by this bill would have to be implemented in the new system. This system is currently scheduled to become operational in October 2003. Thus, it is unlikely the department will be able to implement the changes by the July 1, 2003 effective date specified in this proposal. An effective date of January 1, 2004 should give the department enough time to incorporate the changes.*

Estimated Fiscal Year 2004 Municipal Compensating Tax Distributions			
Alamogordo	198,398	Lordsburg	21,540
Albuquerque	5,176,669	Los Alamos	294,031
Angel Fire	26,251	Los Lunas	80,984
Artesia	129,480	Los Ranchos de Albuq.	26,673
Aztec	41,785	Milan	27,045
Belen	93,280	Moriarty	26,931
Bernalillo	31,053	Portales	64,884
Bloomfield	42,386	Raton	51,474
Carlsbad	218,020	Rio Rancho	266,797
Clovis	230,819	Roswell	318,722
Corrales	26,562	Ruidoso	91,136
Deming	78,456	Ruidoso Downs	38,161
Edgewood	23,089	Santa Fe	1,167,539
Espanola	117,375	Santa Rosa	26,577
Eunice	19,791	Silver City	115,675
Farmington	717,107	Socorro	43,975
Gallup	249,719	Sunland Park	36,856
Grants	63,795	Taos	138,791
Hobbs	366,884	Truth or Consequences	36,844
Las Cruces	734,524	Tucumcari	41,096
Las Vegas	108,773	61 Remaining Municipalities	1,098,000
Total			12,707,948